

PERCEPTIONS OF CONSTRUCTION ORGANISATIONS ON DEVELOPING SUCCESSFUL INTER-ORGANISATIONAL RELATIONSHIPS.

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The purpose of this study is to investigate the general perceptions of UK construction organisations on developing successful inter-organisational relationships, with the paper reports on five case studies of different construction organisations, which include the main contractors, a specialist contractor and a managing agent contractor. The investigations explored their business relationships with other organisations in the supply chain including clients, contractors, subcontractors and suppliers. The findings show that the organisations realise the importance of developing good relationships with their partners, which in turn increases their financial performance. The results also revealed the practices that lead to successful relationships and barriers to the successful relationships. The implication of these preliminary findings show an evidence of a successful relationship can be achieved even though in the context of a temporary organisation structure. This paper adds some important elements of inter-organisation relationship from construction organisations perspective to the current body knowledge.

Keywords: inter-organisational relationships, long-term relationship, successful relationship.

INTRODUCTION

Developing successful inter-organisational relationships has been a central issue since the early 1980s, especially in construction. The importance of such relationships has been well documented and various terminologies, such as ‘partnering’, ‘alliances’, ‘partnership’, have been widely used. Consequently, there has been much debated on how successful inter-organisational relationships should be developed throughout construction supply chains. Key issues that have been arisen include trust (e.g. Kadefors, 2004; Swan *et al.*, 2002, McDermott *et al.*, 2005), commitment, mutuality, openness, flexibility, long-term perspectives, teamwork and honesty (Black *et al.*, 2000; Cheng *et al.*, 2004; Wood and Ellis, 2005).

Several researchers have highlighted the positive outcomes of building such good relationships in that they can occur at the:

- **project level**, where the benefits may include improved quality, reduced cost, reduced risk, reduced rework and completion on time;

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- **business level**, where the benefit may include increased profits, increased market share, enhanced competitive position and competitive bidding; and
- **corporate level**, where the benefits include; cost effectiveness, increased labour productivity, improved efficiency, increased opportunity for innovation, increased cultural responsiveness, and continuous improvement of quality products and services (CII, 1991; Badger and Mulligan, 1995; Cheng *et al.*, 2004).

The success of construction projects is very much dependent on good relationships throughout the supply chain, consequently, this paper aims to uncover the perceptions of construction organisations with regard to the existing inter-organisational relationships.

INTER-ORGANISATIONAL RELATIONSHIPS IN CONSTRUCTION

Previous studies in construction inter-organisational relationships have been conducted from various perspectives. Most of these studies have concentrated on the relationships between the main players in the construction industry, namely the client, main contractor, subcontractor, supplier and consultant. As a result, many terminologies have been developed and used in different contexts, for example, the term ‘partnering’ has been widely used to represent an ‘alliance’ within the supply chain which are usually informal relationship with little or no contractual relationships (Bresnen and Marshall, 2000; Cheng *et al.*, 2004). However, the importance of embedding the relationship within a contract has been increasingly recognised, resulting in the emergence of new forms of relations such as Public Private Partnerships (Ahadzi and Bowles, 2004; Parker and Hartley, 2003)

Literature has demonstrated that a successful inter-organisational relationships created through partnering can bring benefits to the partners (e.g. Barlow *et al.*, 1997; Bennett and Jayes, 1998; Black *et al.*, 2000). However, most examples of partnering are between the client and the main contractor and not between the main contractor and sub-contractor (e.g. Dainty *et al.*, 2001; Miller *et al.*, 2001; Packham *et al.*, 2003). Nevertheless, most studies of inter-organisational relationships have resulted in similar findings, i.e. that successful relationships are usually based on behavioural and attitudinal-based elements such as mutual trust, effective communication, commitment from senior management, clear understanding of different parties’ roles and objectives, and flexibility. Conversely, failed relationships are often caused by the non-existence of these elements, especially effective communications and trust. However, the questions remains as to whether not the construction environment, which is frequently characterised by one-off contracts, project-based and temporary multi-organisations (e.g. Chern and Bryant, 1984; Koskela, 1992; Beach *et al.*, 2005) is capable of accommodating long-term relationships based on mutual trust.

METHODOLOGY

Interviews with representatives from five construction organisations were used to obtain data relating to the respondents’ longest existing business relationships with one single organisation which includes client, contractor, subcontractor and supplier. Seven open-ended questions were used to conduct the semi-structured interviews with the senior managers of three different main contractors, a specialist subcontractor and a managing agent contractor. All interviews were conducted at the respondents’

premises and the time taken for the interview ranged from 35 minutes to an hour. The participants were each asked to comment on the status of their longest relationships with a particular partner, how this relationship developed, the factors that underpinned the success of this relationship and the barriers that hindered the development of that relationship. Pseudonyms have been used to ensure confidentiality. All interviews were recorded and transcribed to aid subsequent analysis.

FINDINGS

An analysis of the interviews produced several findings, which have been discussed in this section. The profiles featuring the five organisations have been presented in Table 1 and a summary of the most important criteria of successful relationships have been presented in Table 2.

Table 1: Characteristics of the five construction organisations.

Construction Organisations	A	B	C	D	E
Interviewee position in the organisation	Divisional Director	Contract Director	Business Development Manager	Head of Supply Chain	Innovation & Continuous Improvement Manager
Type of organisation	Main Contractor	Specialist Subcontractor	Main Contractor	Main Contractor	Managing Agent Contractor
The longest business relationship With whom	More than 20 years	5 – 10 years	15 – 20 years	2 – 5 years	2 – 5 years
No of times working with the same company	Specialist subcontractor More than 5 times	Main Contractor More than 5 times	Client More than 5 times	Supplier More than 5 times	Client 5 times

The existence of long-term relationships

The length of the longest relationship with one single organisation for three of the respondents were more than five to more than 20 years while the other two respondents have relationships between two to five years. Furthermore, all of the companies had worked in these relationships on at least five projects, illustrating that the long-term relationships exist among the construction supply chain participants, even though the duration of most construction projects is relatively short-term.

The qualitative responses demonstrate that the relationships between partners still continue on current projects even though the previous projects had been completed. The relationships persist beyond the contract of a project. According to one of the respondents, who is a specialist subcontractor, they have worked concurrently and repeatedly with the same contractor on many occasions;

“...at one point we have many jobs with this main contractor on the book. We have five to six projects under works at the same time...and our relationships go beyond the contract.” (Company B)

However, there were cases where, even though they have been working for a long period of time, the relationships were not as good as they could be, perhaps due to the changes in personnel involved.

“...they appointed specific people to manage us as their supplier, designer, contractor to them, still it doesn’t work as well as it could.” (Company B)

Table 2: Summary of the most important criteria of successful relationships

Construction Organisations	A	B	C	D	E
The importance of dialogue	*			*	
Willingness to get the job done		*			
Fulfil what ever obligation		*			
Can get together/agree with people		*			
Common understanding what is right and wrong			*		
Trust				*	
Delivery of agreed strategy				*	
Openness				*	
Forward thinking client					*
Strong management					*
Desire for success driven by potential to win more business					*
External facilitation					*

(Note: The above criteria of successful relationships were derived from transcriptions of the interviews)

The importance of developing relationships

As presented in the Table 2, all respondents viewed humans’ interactions as crucial dimensions to successful relationships. They also believed that it was possible to increase their financial returns by their effort in developing and maintaining good relationships with their partners. Explaining their successful relationships experiences, some of the respondents reported:

“...if you got long term relationships with a particular partner then it allows you to develop business, training, workforce, specific to that particular arrangement and give you some longevity to it.” (Company A)

“...so the actual relationships are very good. £10,000 was quite easily saved with one or two ideas. The job went ahead, everybody worked together again, the majority of the people are followed up and the experience on the second contract was so, so much better then the majority of experiences that we have in any where else.” (Company B)

“If the relationships are right the financial returns will come eventually”...

“Relationships are very important. Because it’s no good working if they don’t enjoy it.” (Company C)

A senior supply chain manager emphasised the importance of developing and maintaining good relationships by stating that:

“Within that relationship, you develop with the right partner, the right subcontractor, you can develop best value and best value may not necessarily the cheapest price. By developing relationships with sub contractors, main contractors are able to get more added values...” (Company D)

Current practice in developing relationships

It was established during the interviews that some of the respondents had already embarked on various relationships development practices such as:

“...we are working more closely in constructive sort of way and finding way of best matching those expectations and managing those expectations to realistic rather than unrealistic.” (Company C)

In addition there appeared different types of strategies adopted to develop good relationships.

“...we worked closely with client, developed a community wide strategy, get involvement from all members, developed processes and culture through workshops and continuing initiatives, success has been promoted.” (Company E)

Criteria for developing and maintaining successful relationships

All parties involved in the study realised the importance of developing good relationships. They strongly agreed that all construction practitioners should emphasise relationship development and maintenance which can bring benefits to them. It is important to note that the practice might be different from one company to another depending on their understandings and expectations of what and which factors that would lead to successful relationships. Among others, they stressed that some of the key factors towards developing good relationships are: practicing open and frequent communication; take full responsibility on what needs to be done; and having common understandings in dealing with any issues.

“..I feel the dialogue between client and contractor in the partnering framework is important...it’s got to be the human side of things that got to be maintained.” (Company A)

“.. the willingness on the part of the people who want to get the job done...one thing that we want to achieve is to fulfil what ever the obligation is. If you can get together agree with people you just can work together.” (Company B)

“..both of us (client & contractor) will understand that we are doing is right, best and best value and achievable. And I think it’s only then when you got this common understanding on what is right and what is wrong that could better relationships to develop and could business come out of it.” (Company C)

“Good relationships really need to be communicating to the lower group to make it good, to get everyone on board with it.....trust, openness, delivery of agreed strategy.” (Company D)

“...forward thinking client, strong management, external facilitation, desire for success driven by potential to win more business.” (Company E)

Barriers to successful relationships

Finally, despite the respondents’ appreciation of the importance of developing good relationships, they stressed that there occur some factors that hinder the development, implementation and maintenance of the good relationships.

“The biggest hurdle of all problems is the lack of repetition in contact with people who’s whilst we’re working for the same contractor many times, the actual no of times we actually work for the same people working for the same contractor is quite small.” (Company B)

“The other problem with the industry is a lack of consistency then with who we are dealing with.” (Company B)

“...we need to know certain people in this organisation...it depends on people whom you are dealing with. We don't always have the same people... it always takes time to build relationships.” (Company B)

“Lack of trust and understanding of goals and objectives of each stakeholder....Greed, desire to maximise profit...short term views.” (Company E)

“No open book, hidden agenda and no trust.” (Company D)

These statements support previous research by Dainty *et al.*, (2001) and highlight the issue of lack of trust and negative attitudes towards integration, which have been the main barriers in developing good relationships.

DISCUSSION

This study exploits the value of qualitative research by portraying the true picture of the relationships development in construction projects. It demonstrates the perceptions of various construction organisations who involved in various construction projects on the importance of relationships in such projects. The short-term repeated working engagement between the main contractor and subcontractor from one project to another provides evidence of good and long-term relationships in temporary organisation structure. The findings reveal that positive attitudes towards developing successful relationships among the project members are the main criteria for good relationships to sustain, in which it reduces the perceptions that the other member of the project may be opportunist towards other members. It is thus suggested that the length of relationships does not necessary mean good relationships. However, in obtaining higher quality of relationships, it still requires mutual trust, open communication, effective coordination and the emphasis on the longevity of the relationships (e.g. Black *et al.*, 2000; Kale and Ardit, 2001; Cheng and Li, 2002)

Most construction supply chain literature focuses on good relationships between the client and the main contractor. In contrast, the problematic relationships between the main contractor and subcontractor have been dominated the literature (e.g. Miller *et al.*, 2000; Packham *et al.*, 2003). However, it is important to note that the problematic relationships between the main contractor and the subcontractor could not be generalised as the results from this study demonstrate the positive aspects of relationships between the main contractor and the subcontractor. This supports the findings by Beach *et al.*, (2005).

As referred to Table 2, the results show that each case study provides different perspectives on the importance of elements for successful relationships as each case study reported different elements. However, all these elements can be grouped as commitment (indicated in Table 2 as ‘willingness to get the job done’, ‘fulfil what ever obligation’, and ‘delivery of agreed strategy’) becomes the most important element considered by the respondents followed by mutual understanding (exhibited in Table 2 as ‘get together with people’, ‘common understanding what is right and wrong’) and communication (showed in Table 2 as ‘the importance of dialogue’).

Although this study is qualitative in nature, the results are in line with other quantitative survey research such as studies by Akintoye *et al.*, (2000), Black *et al.*, (1999) and Wong *et al.*, (2004). Akintoye *et al.*, (2000) identified these elements as the key factors in construction supply chain relationships while Black *et al.*, (2000) considered these elements as the partnering success factors in the UK, and Wong *et al.*, (2004) determined similar elements but considered the entire elements as trust

attributes that may influence success in construction partnering in Hong Kong. As indicated earlier that similarities of the elements for successful relationship among each case study seemed do not occur. This is because of the exploratory type of interviews in that the information and opinions given by respondents are freely given without question guidelines as well as no interference has been done during the interview. Thus, the information given during the interview is the respondent's most memorable and important incident at that particular time and context. Hence, it is concluded that the important criteria for the successful relationships for each case study differs from one company to another.

Although the construction organisations involved in this study may have good relationships experiences in one project, they also faced bad experiences in other projects. The main problems were the lacking of trust, understanding of mutual goals and objectives, no commitment and have short-term views in completing the short-term project and obtaining short-term profit. These elements became the barriers to successful relationships. The successful relationship experience with one party may not mean that they might have successful relationships with another party. This is because relationships is about human interactions that are mutually build in trying to understand each other that may take some times to develop. Problems may also occur when engaging with the same organisation partner for every projects but working with different personnel in different projects because relationships need to be built with every personnel. Therefore, this study provides evidence that successful inter-organisational relationships strongly relies on good inter-personal relationships.

Finally, the link between successful inter-organisational relationships and the financial performance is another aspect need to be addressed in this study. This aspect has always been neglected by the members of short-term construction projects since construction organisation which is working for a short term project-based tends to focus more on profit margin rather than concentrating on relationships issues. However, this may not occur to the construction organisations which have good experience of having close relationships with their partners due to the direct financial benefits that could be gained as a result of having good relationships.

CONCLUSIONS

The outcomes from this exploratory study have demonstrated that having successful relationships was the main factor that has been considered by the respondents in bringing success to their business. They claimed that their current practice in developing good relationships have been successful.

However, there are still several barriers that hinder the development, implementation and the maintenance of good relationships. They were still tied up in the traditional construction working culture, which is adversarial in nature, even though they realise that they need to change their mindsets and attitudes. These changes however need involvement of the entire parties in the project. Although it has been showed earlier that some of the companies have been repeatedly working with the same partner for several times, but problems occur when dealing with different people in each new project as they need some times to develop relationships with these people. This reflects that although the top managers in the strategic level understand and realise the importance of maintaining the same partner in moving the business forward, but it is still difficult for those people in the operational level to put the concept into practice.

This exploratory study forms the basis for further investigation on how good relationships developed in a long-term framework agreement project and whether relational contracting norms have been the main focus in developing good relationships.

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